

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT <b>Auditor-Controller</b>		(2) MEETING DATE <b>January 24, 2006</b>		(3) CONTACT/PHONE <b>L. Jackson (805) 781-4846</b>	
(4) SUBJECT  <b>Submittal of an audit report on the Marina concessionaire at Lopez Lake for the period of January 1, 2004 thru October 31, 2005.</b>					
(5) SUMMARY OF REQUEST <b>We reviewed and tested the concessionaire's revenue recording procedures and rent calculations. In addition, we reviewed insurance coverage and interviewed the management of concession operations. We found that the concessionaire was only reporting 50% of the revenues from the vending machines. Furthermore, we found that the County was not performing annual preventative maintenance on the docks. We have made recommendations to the department for the correction of these findings.</b>					
(6) RECOMMENDED ACTION  <b>Please review the report and department's response and direct the department to report back to the Board within four months on the status of implementing the audit recommendations.</b>					
(7) FUNDING SOURCE(S) <b>N/A</b>		(8) CURRENT YEAR COST <b>N/A</b>		(9) ANNUAL COST <b>N/A</b>	
(10) BUDGETED? <input type="checkbox"/> YES <input checked="" type="checkbox"/> N/A <input type="checkbox"/> NO					
(11) OTHER AGENCY/ADVISORY GROUP INVOLVEMENT (LIST): <b>This report was discussed with the Department of General Services and their response is attached.</b>					
(12) WILL REQUEST REQUIRE ADDITIONAL STAFF? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, How Many? _____ <input type="checkbox"/> Permanent _____ <input type="checkbox"/> Limited Term _____ <input type="checkbox"/> Contract _____ <input type="checkbox"/> Temporary Help _____					
(13) SUPERVISOR DISTRICT(S) <b>1st, 2nd, 3rd, 4th, 5th, <u>All</u></b>			(14) LOCATION MAP <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A		
(15) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Presentation <input type="checkbox"/> Board Business (Time Est. _____)			(16) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions (Orig + 4 copies) <input type="checkbox"/> Contracts (Orig + 4 copies) <input type="checkbox"/> Ordinances (Orig + 4 copies) <input checked="" type="checkbox"/> N/A		
(17) NEED EXTRA EXECUTED COPIES? <input type="checkbox"/> Number: _____ <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A			(18) APPROPRIATION TRANSFER REQUIRED? <input type="checkbox"/> Submitted <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A		

(19) ADMINISTRATIVE OFFICE REVIEW
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(124.00)

**County of San Luis Obispo**  
**Office of the Auditor-Controller**  
1055 Monterey Street Room D220  
San Luis Obispo, California 93408  
(805) 781-5040 FAX (805) 781-1220



**GERE W. SIBBACH, CPA**  
**Auditor-Controller**  
**BILL ESTRADA**  
**Assistant**

TO: HONORABLE BOARD OF SUPERVISORS  
FROM: GERE W. SIBBACH, AUDITOR-CONTROLLER *Cee*  
DATE: JANUARY 24, 2006  
SUBJECT: AUDIT OF THE LOPEZ LAKE MARINA CONCESSIONAIRE

Recommendation

Please review the report and department's response and direct the department to report back to the Board within four months on the status of implementing the audit recommendations.

Discussion

We reviewed and tested the concessionaire's revenue recording procedures and rent calculations. In addition, we reviewed insurance coverage and interviewed the management of concession operations. We found that the concessionaire was only reporting 50% of the revenues from the vending machines. Furthermore, we found that the County was not performing annual preventative maintenance on the docks. We have made recommendations to the department for the correction of these findings.

Other Agency Involvement/Impact

None.

Financial Considerations

The County receives a monthly rent based on a percentage of sales, determined by the lake level. The monthly percentage for the audit period ranged from 6% to 7%. The amount of rent paid to the County over the audit period was approximately \$74,000.

Results

The results of our audit identified the need to properly report vending machine revenues and for the County to provide the annual preventative maintenance for the docks.

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**GERE W. SIBBACH, CPA**  
**Auditor-Controller**  
**BILL ESTRADA**  
**Assistant**

December 14, 2005

Duane Leib, Director of General Services  
County of San Luis Obispo, Department of General Services  
1087 Santa Rosa Street  
San Luis Obispo, CA. 93408

Dear Mr. Leib:

Our office recently completed a review of the Lopez Lake Marina concessionaire for the period of January 1, 2004 through October 31, 2005.

Purpose

The objective of the review was to verify the concessionaire's compliance with the concession agreement dated April 1, 2004, and to evaluate the adequacy of internal controls over the concessionaire's accounting records.

Scope

The period covered was January 1, 2004 to October 31, 2005. We reviewed and tested revenue-recording procedures and rent calculations by selecting 2 sample months from the audit period and reconciling the concessionaire's daily cash receipts to revenue amounts reported to the County. We also examined accounting records and reviewed cash handling procedures to evaluate the adequacy of internal controls. Additionally, we reviewed current insurance coverage as required by said contract.

Findings and Recommendations

1. VENDING MACHINE REVENUES

The results of our examination revealed that receipts from the vending machine operations are not being reported in accordance with the provisions of the contract. Pool table and arcade receipts are being divided between the vending machine operator and the concessionaire, leaving only half of the receipts being reported to the County. The contract stipulates that all receipts received through the operation of the concession are to be used in calculating rent due to the County.

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Recommendation

We are recommending that total receipts from the vending machine operations be used in calculating rent due to the County, as stated in the contract.

2. ANNUAL PREVENTATIVE DOCK MAINTENANCE

Based upon discussions with the Concessionaire, it appears that the County is not performing its annual maintenance to the docks as prescribed in the contract. It is also our understanding that the dock maintenance has not been performed since January 2004. The contract states that the County shall perform annual preventative maintenance to the docks.

Recommendation

We are recommending that the County abide by the contract and provide annual maintenance to the docks.

We appreciate the courteous attitude of your staff and the cooperation we received during the course of our review.

Sincerely,

Gere W. Sibbach, CPA  
Auditor-Controller



Norman L. Booth, CPA  
Chief Internal Auditor

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COUNTY OF SAN LUIS OBISPO  
**Department of general services**

COUNTY GOVERNMENT CENTER • SAN LUIS OBISPO, CALIFORNIA 93408 • (805) 781-5200  
DUANE P. LEIB, DIRECTOR

TO: GERE SIBBACH, AUDITOR CONTROLLER  
FROM: *D. Leib*  
DUANE P. LEIB, GENERAL SERVICES DIRECTOR  
DATE: JANUARY 9, 2006  
SUBJECT: RESPONSE TO LOPEZ LAKE CONCESSION AUDIT

Gere, we have reviewed the draft report on the audit at Lopez Lake Marina Concession prepared by your staff. Thank you for the opportunity to comment. Our response is as follows:

**VENDING MACHINE REVENUES**

The concessionaire had made a statement that he has been reporting only 50% of the revenues generated from vending machine operations. We agree with Auditors recommendation that total receipts from the vending machine operations be used in calculating rent due the County, as stated in the contract. We will let the Concessionaire know by letter by January 20, 2006 that he will be expected to comply with this part of the contract.

**ANNUAL PREVENTATIVE DOCK MAINTENANCE**

We agree with the recommendation made that the County shall perform annual preventative maintenance to the docks according to the contract. Since the completion of this Audit an inspection was performed in December 2005 and maintenance will be completed this year and every year hence.

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